

ARTICLE APPEARED
ON PAGE 527

NEW YORK TIMES
3 December 1985

Soviet-Bloc Loans Split the Cabinet

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Special to The New York Times

WASHINGTON, Dec. 2 — President Reagan's Cabinet is divided over a legislative proposal that would make it easier for the President to stop commercial bank lending to Soviet-bloc countries.

The Cabinet-level Economic Policy Council is scheduled to meet Tuesday with the President to try to resolve the dispute, Administration officials said today.

What has caused the issue to flare anew is both a surge in such lending and a bipartisan Senate initiative to control it. The Administration has promised that it would have its position on the bill ready to present at a Senate Banking Committee hearing Wednesday.

The conflict has sharpened less than a week before Secretary of Commerce Malcolm Baldrige leads a large delegation of American business executives to Moscow for a meeting of the U.S.-U.S.S.R. Trade and Economic Council Dec. 9 to 11.

Largest Delegation in Memory

The delegation numbers 300, the largest in recent memory. Officials believe that the November meeting between President Reagan and Mikhail S. Gorbachev, the Soviet party leader, contributed to business community interest in the Moscow trip.

Mr. Baldrige, who is leaving Saturday for his second trip to Moscow in less than a year, will hold discussions with the new Soviet Foreign Trade Minister, Boris Aristov.

The bill, which was introduced last February by Jake Garn, Republican of Utah, chairman of the Senate Banking Committee, and William Proxmire, Democrat of Wisconsin, the ranking minority member, would amend the Export Administration Act to give the President discretionary authority to "monitor and control" East-bloc financial transactions.

The President may now curb exports of goods and services under that legislation, but to block financial flows, as he did during the 1979-80 crisis with Iran, he must invoke the more sweeping International Emergency Economic Powers Act.

Flexible Approach Advocated

Advocates say a more flexible approach is necessary because of a continuing need to monitor, if not regulate, financial flows to potential adversaries, including countries that support international terrorism.

Administration officials said this position had been taken energetically by Defense Secretary Caspar W.

Weinberger; Robert C. McFarlane, the national security adviser; William J. Casey, Director of Central Intelligence, and Attorney General Edwin Meese 3d.

Those opposed to the expanded authority counter that it would cause relations to deteriorate with Moscow after the gains of the recent meeting and hurt not only international financial flows but trade as well.

Taking this position are Secretary of State George P. Shultz, Treasury Secretary James A. Baker 3d, Mr. Baldrige, and Donald T. Regan, Presidential chief of staff. Mr. Baker is the chairman of the Cabinet council that takes up the issue Tuesday.

So far this year, American banks have led international syndicates that have raised \$1.1 billion for East Germany and \$200 million for the Soviet Union. Last week, it was reported that four American banks were leading a syndicate organizing \$400 million of additional funds for the Russians to buy American and Canadian grain. The American banks that have been most active in such lending are the First National Bank of Chicago and Citibank.